

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2024 and 2023
(in Canadian dollars)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Balance Sheets (Unaudited)

	September 30, 2024	September 30, 2023	December 31, 2023
<i>(in thousands of Canadian dollars)</i>			
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ 174,377	\$ 136,586	\$ 152,760
Accounts receivable	172,228	198,014	119,429
Inventories (Note 5)	165,249	156,500	174,759
Prepaid expenses	3,810	6,000	5,412
Current income tax assets	7,248	11,385	14,270
	522,912	508,485	466,630
Property, plant and equipment	119,745	121,174	119,083
Intangible assets	10,910	12,097	11,548
Goodwill	10,557	10,574	10,344
Long term investments	11,315	9,633	11,254
Deferred tax assets	5,783	5,815	5,431
	\$ 681,222	\$ 667,778	\$ 624,290
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities	\$ 137,885	\$ 148,260	\$ 126,126
Current portion of lease obligations	5,995	5,895	5,527
	143,880	154,155	131,653
Lease obligations	90,637	90,354	89,848
Deferred gain	2,034	2,153	2,124
Deferred tax liabilities	5,212	6,560	5,096
Provisions	64	180	151
	241,827	253,402	228,872
Shareholders' Equity:			
Share capital (Note 7)	122,477	122,539	122,509
Accumulated other comprehensive income (Note 7)	10,571	10,903	7,587
Retained earnings	306,347	280,934	265,322
	439,395	414,376	395,418
	\$ 681,222	\$ 667,778	\$ 624,290

The accompanying notes are an integral part of these condensed consolidated financial statements.

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<i>(in thousands of Canadian dollars, except per share amounts)</i>				
Sales	\$ 423,886	\$ 456,615	\$ 1,245,340	\$ 1,312,009
Cost of sales	378,342	400,212	1,113,331	1,156,062
Gross margin	45,544	56,403	132,009	155,947
Expenses:				
Distribution	8,151	8,135	24,605	24,018
Selling and administration	19,169	23,447	53,183	62,645
Finance (Note 8)	3	98	202	2,727
Other expenses (income)	(109)	263	(183)	230
	27,214	31,943	77,807	89,620
Earnings before income tax	18,330	24,460	54,202	66,327
Income tax expense (recovery) (Note 6)	3,999	3,056	13,177	14,416
Net earnings for the period	\$ 14,331	\$ 21,404	\$ 41,025	\$ 51,911
Other comprehensive income (Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	\$ (2,173)	\$ 2,605	\$ 2,984	\$ (212)
Total comprehensive income for the period	\$ 12,158	\$ 24,009	\$ 44,009	\$ 51,699
Basic and diluted net earnings per common share	\$ 0.13	\$ 0.20	\$ 0.38	\$ 0.48
Weighted average number of common shares outstanding	107,953	107,970	107,953	108,079

The accompanying notes are an integral part of these condensed consolidated financial statements.

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the nine months ended September 30, 2023

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2022	\$ 123,110	\$ 229,023	\$ 11,115	\$ 363,248
Net earnings	-	30,507	-	30,507
Shares purchased under the NCIB and cancelled (Note 7)	(272)	-	-	(272)
Other comprehensive income	-	-	(2,817)	(2,817)
Balance at September 30, 2023	\$ 122,838	\$ 259,530	\$ 8,298	\$ 390,666

For the nine months ended September 30, 2024

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2023	\$ 122,509	\$ 265,322	\$ 7,587	\$ 395,418
Net earnings	-	41,025	-	41,025
Shares purchased under the NCIB and cancelled (Note 16)	(32)	-	-	(32)
Other comprehensive income	-	-	2,984	2,984
Balance at September 30, 2024	\$ 122,477	\$ 306,347	\$ 10,571	\$ 439,395

The accompanying notes are an integral part of these condensed consolidated financial statements.

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(in thousands of Canadian dollars)	2024	2023	2024	2023
Cash provided by (used in):				
Operating:				
Net earnings	\$ 14,331	\$ 21,404	\$ 41,025	\$ 51,911
Adjustments for non-cash items				
Amortization	3,163	3,059	9,634	9,067
Income tax expense	3,999	3,056	13,177	14,416
Mark-to-market adjustment on financial instruments	512	439	360	185
Change in provisions	(29)	(28)	(87)	(83)
Loss (gain) on asset disposal	(80)	(4)	(90)	26
Amortization of deferred gain	(30)	(30)	(90)	(90)
Finance and subordinated debt interest expense	(41)	98	1,589	2,727
Interest paid	44	(1,513)	(1,387)	(4,344)
Income tax paid	(3,160)	(652)	(12,872)	(8,032)
Changes in non-cash working capital (Note 10)	76,731	62,457	(22,473)	(5,056)
Cash flows generated by operating activities	95,441	88,286	28,787	60,727
Investing:				
Purchase of property, plant and equipment	(1,742)	(1,697)	(3,132)	(4,398)
Proceeds from disposition of property, plant and equipment	80	17	99	27
Long term investment	-	-	-	(9,607)
Cash flows used in investing activities	(1,662)	(1,680)	(3,033)	(13,978)
Financing:				
Repayment of lease obligations	(1,545)	(1,525)	(4,150)	(4,063)
Repurchase of common shares	-	(299)	(32)	(571)
Cash flows used in financing activities	(1,545)	(1,824)	(4,182)	(4,634)
Effect of foreign exchange on cash	(1,094)	577	45	(23)
Cash - beginning of year	83,237	51,227	152,760	94,494
Cash - end of period	\$ 174,377	\$ 136,586	\$ 174,377	\$ 136,586

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on November 08, 2024 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

4. Cash and Cash Equivalents

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023	December 31, 2023
Cash	173,594	135,562	151,796
Financing costs, net of amortization	783	1,024	964
Total	174,377	136,586	152,760

On December 21, 2022, the Company entered into a new \$250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by a

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2024 and 2023 (in Canadian dollars)

first perfected security interest in all real and personal property of the Company and certain of its subsidiaries and matures on December 20, 2027. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at September 30, 2024.

Cash and cash equivalents include a short-term investment in a GIC of \$34 million bearing interest of 4.25%, maturing on October 20th, 2024, and auto renewing on a monthly basis.

5. Inventories

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023	December 31, 2023
Allied building products	38,040	35,803	34,667
Lumber products	94,545	88,466	105,080
Panel products	26,676	27,920	30,492
Production consumables	6,204	3,894	4,762
Inventory provision	(216)	417	(242)
Total	165,249	156,500	174,759

All of the Company's inventories are pledged as security for the revolving credit facility.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Current	3,434	3,966	12,858	15,501
Deferred	565	(910)	319	(1,085)
Total	3,999	3,056	13,177	14,416

7. Shareholders' Equity

(a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On August 31, 2023, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,403,488 of its then outstanding 108,171,321 common shares, representing 5% of the outstanding common shares. The NCIB expired on August 30, 2024 and the Company purchased 125,232 shares during the NCIB.

On September 4, 2024, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,397,226 of its then outstanding 107,944,523 common shares, representing 5% of the outstanding common shares. During the nine months ended September 30, 2024, the Company purchased 10,488 of its common shares for \$32,405 under the NCIB. These common shares purchased by the Company during this time have been cancelled. At September 30, 2024 there were 5,386,738 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on September 3, 2025.

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For the three and nine months ended September 30, 2024 and 2023 (in Canadian dollars)

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2023	107,955,011	122,509
Shares purchased under NCIB and cancelled	10,488	32
Balance, September 30, 2024	107,944,523	122,477

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(f) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.8% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

8. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Interest earned on cash balances	(1,343)	(1,231)	(4,079)	(1,265)
Interest on leases and long-term debt	1,285	1,269	4,100	3,811
Amortization of financing costs	61	60	181	181
Total	3	98	202	2,727

9. Commitments and Contingencies

Other Outstanding Legal Matters

The Company is involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

10. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023
Carrying amount	91,166	90,867
Fair value	91,166	90,799

The fair value of the lease obligations was determined using current borrowing rates for similar debt instruments.

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The Company acquired 7,000 units of shares for a private Asian Real Estate fund in March 2023. The investment is stated at fair value at each reporting date. The change in value represents the unrealized gains and losses on the portfolio investment.

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023
Carrying amount	9,546	9,607
Fair value	8,910	9,633

In December 2023, the Company invested in a private guaranteed bond bearing interest at 8% per annum, together with a share of revenues. The bond matures on December 29, 2026.

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023
Carrying amount	2,405	-
Fair value	2,405	-

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

<i>(in thousands of dollars)</i>	September 30, 2024	September 30, 2023
Lumber futures	(18)	12

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Cash and cash equivalent are classified as level 1. Derivative financial instrument assets and liabilities are classified as level 1 and investments are classified as level 2 or 3.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2024 and 2023 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at September 30, 2024 and 2023:

(in thousands of dollars)

At September 30, 2024	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	174,377	-	-	174,377
Accounts receivable	172,228	-	-	172,228
Long term investment		11,315		11,315
Total financial assets:	346,605	11,315	-	357,920
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	137,885	137,885
Lumber futures ¹		18		18
Current portion of lease obligation	-	-	5,995	5,995
Non-current portion of lease obligation	-	-	90,637	90,637
Total financial liabilities:	-	18	234,517	234,535

(in thousands of dollars)

At September 30, 2023	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	136,586	-	-	136,586
Accounts receivable	198,014	-	-	198,014
Lumber futures ¹	-	12	-	12
Long term investment		9,633		9,633
Total financial assets:	334,600	9,645	-	344,245
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	148,260	148,260
Current portion of lease obligation	-	-	5,895	5,895
Non-current portion of lease obligation	-	-	90,354	90,354
Total financial liabilities:	-	-	244,509	244,509

⁽¹⁾Included with accounts receivable or accounts payable and accrued liabilities on the balance sheet

11. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
(Increase) Decrease in Accounts receivable	36,472	18,972	(53,044)	(75,100)
(Increase) Decrease in Inventories	24,167	30,178	9,510	69,850
(Increase) Decrease in Prepaid expenses and other	(672)	(106)	(774)	(901)
Effect of foreign exchange on working capital	672	1,671	4,035	(245)
(Decrease) Increase in Accounts payable & accrued liabilities	16,092	11,742	17,800	1,340
Total	76,731	62,457	(22,473)	(5,056)

12. Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

13. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

	Revenue by Point of Sale							
	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	343,431	81.0	371,552	81.4	1,023,094	82.2	1,075,342	82.0
United States	80,456	19.0	85,064	18.6	222,247	17.8	236,668	18.0

For the quarter ended September 30, 2024, export sales totalled \$34.6 million compared to \$37.2 million in the previous year. For the nine months period ended September 30, 2024 export sales were \$102.0 million compared to \$116.9 million in the previous year. These export sales were primarily to the United States and Asia and are included as part of the Canadian segment in the table above.